

Message Text

CONFIDENTIAL

PAGE 01 LISBON 05981 01 OF 03 101923Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----031161 101931Z /45

O R 101835Z AUG 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 6672
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
AMEMBASSY ROME
USMISSION USNATO

C O N F I D E N T I A L SECTION 1 OF 3 LISBON 5981

EXDIS

USEEC

DEPT PASS DIA, USCINCEUR, USNMR SHAPE, COMUSFORAZ

MILITARY ADDRESSEES HANDLE AS SPECAT EXCLUSIVE

E.O. 11652: XGDS-1
TAGS: PINT PO
SUBJECT: CONVERSATION WITH PRESIDENT EANES

1. I CALLED ON PRESIDENT EANES ON AUGUST 10, OSTENSIBLY
TO PAY MY RESPECTS PRIOR TO MY DEPARTURE ON HOME LEAVE.

2. EANES STARTED OUT WITH A BRIEF SUMMARY OF RECENT EVENTS
AND THE REASONS FOR HIS ACTIONS DURING THE POLITICAL CRISIS.

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WHEN THE PS/CDS ACCORD BROKE DOWN, HE DECIDED THAT
SOARES WOULD HAVE TO GO BECAUSE THE BASIS UPON WHICH
THE GOVERNMENT HAD ORIGINALLY BEEN CONSTITUTED, AND
THUS MERITED HIS CONFIDENCE, HAD DISAPPEARED. IF
SOARES HAD BEEN ALLOWED TO STAY, HE WOULD HAVE ENDED
UP AS A MINORITY GOVERNMENT, WHICH BY ITSELF WOULD
HAVE PROVOKED STRONG CONSERVATIVE OPPOSITION, AS WELL

AS CRITICISM OF THE PRESIDENT. MOREOVER ONCE THE ASSEMBLY HAD RECONVENED IN OCTOBER, SUCH A GOVERNMENT MIGHT WELL ONLY HAVE SURVIVED WITH THE SUPPORT OF THE COMMUNIST PARTY, SAID EANES. AT THAT POINT THE PRESIDENT WOULD HAVE FOUND HIMSELF IN THE SAME BOAT WITH THE SOCIALISTS AND THE COMMUNISTS, THE DIVISIONS WITHIN THE COUNTRY WOULD BECOME EVEN MORE INTENSE THAN AT PRESENT, AND THE IMAGE OF DEMOCRACY DAMAGED. WHEN SOARES OBSTINATELY REFUSED TO RESIGN, EANES HAD TO DISMISS HIM. UNFORTUNATELY, SOARES HAD BEEN UNABLE TO SEE THIS AS AN INSTITUTIONAL PROBLEM AND HAD TAKEN HIS DISMISSAL VERY PERSONALLY. THIS HAD CAUSED THE SOCIALISTS TO REACT PUBLICLY WITH THEIR CRITICAL COMMUNIQUE, WHICH OF COURSE HAD MADE IT EVEN MORE DIFFICULT FOR THE PRESIDENT TO BACK DOWN.

3. FACED WITH FINDING A NEW PRIME MINISTER, THE PRESIDENT DECIDED FINALLY THAT IF HE CHOSE A POLITICIAN HE WOULD BE BOUND TO PROVOKE CRITICISM FROM THE POLITICAL PARTIES, EACH OF WHICH IS COMPOSED OF SEVERAL FACTIONS. HE WOULD BE ACCUSED OF ATTEMPTING TO DIVIDE AND CONQUER. HE THUS RESOLVED TO SELECT A TECHNICIAN. NOBRE DA COSTA HOPES TO GET THE POLITICAL PARTIES TO LET THEIR MEMBERS WHO ARE WILLING (AND INVITED) TO SERVE IN THE NEW GOVERNMENT. HE WILL ATTEMPT TO GET THE SOCIALISTS TO ALLOW CONSTANCIO TO CONTINUE AS FINANCE MINISTER. IF CONFIDENTIAL

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THIS IS NOT POSSIBLE, THEN ANOTHER COMPETENT INDIVIDUAL WILL BE SOUGHT. EANES MENTIONED SANTOS SILVA (FORMER VICE GOVERNOR OF THE CENTRAL BANK), JACINTO NUNES (PRESIDENT OF THE BANCO DO FOMENTO), RUI VILAR (MODERATE SOCIALIST AND FORMER MINISTER TRANSPORT), HERNANI LOPES (PRESENTLY AMBASSADOR IN BONN), AND, PERHAPS, SILVA LOPES, THE GOVERNOR OF THE CENTRAL BANK. THE PRESIDENT ADMITTED THAT SILVA LOPES HAS THE MOST INTERNATIONAL PRESTIGE, BUT HE NEVERTHELESS INDICATED SOME RESERVE REGARDING SILVA LOPES' POLITICAL ABILITY.

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEES.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----031249 101938Z /45

O R 101835Z AUG 78
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TO SECSTATE WASHDC IMMEDIATE 6673
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
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AMEMBASSY MOSCOW
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C O N F I D E N T I A L SECTION 2 OF 3 LISBON 5981

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4. THIS LED TO A DISCUSSION OF THE ATTITUDE OF THE
SOCIALIST PARTY AND IT BECAME EVIDENT THAT THE SOCIALISTS
HAD NOT INDICATED TO THE PRESIDENT, EVEN IN PRIVATE, THE
EXTENT TO WHICH THEY WILL BE WILLING TO WORK WITH NOBRE
DA COSTA, WHO INCIDENTALLY IS MEETING WITH THE PS TODAY.
WHEN I ASKED THE PRESIDENT WHETHER HE ENVISAGES THIS
NEW GOVERNMENT AS A TRANSITIONAL GOVERNMENT OR ONE THAT
WOULD TRY TO GOVERN UNTIL 1980, HE SAID THAT HIS
PREFERENCE WOULD BE THE LATTER BUT THAT IN ANY CASE
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ONE OF THE FIRST ORDERS OF BUSINESS WILL BE TO PREPARE
THE NEW ELECTORAL LAW AND CENSUS. ONCE THAT IS DONE
THE GOVERNMENT WILL ASK FOR A VOTE OF CONFIDENCE WHICH
WILL BE A WAY OF GIVING THE PARTIES A CHOICE OF GOING TO
EARLY ELECTIONS OR ALLOWING THE GOVERNMENT TO CONTINUE
IN OFFICE. IN THE MEANTIME, THE PRESIDENT SEES THE
POSSIBILITY THAT THE PRIME MINISTER COULD WORK OUT AN
AGREEMENT WITH SOME OF THE PARTIES WHICH WOULD TRANSFORM
THE GOVERNMENT INTO A COALITION HEADED BY AN INDEPENDENT.

5. I TOLD THE PRESIDENT THAT THE UNITED STATES WAS PLEASED THAT PORTUGAL HAD RESOLVED THE CRISIS ADHERING TO ITS DEMOCRATIC INSTITUTIONS AND THAT WE ARE DISPOSED IN PRINCIPLE TO COOPERATE WITH THE NEW GOVERNMENT, AS WE HAVE WITH THE PREVIOUS GOVERNMENTS. I POINTED OUT THAT OUR ABILITY TO COOPERATE WOULD DEPEND IN TURN ON THE NEW GOVERNMENT'S ABILITY TO CARRY OUT SOUND ECONOMIC POLICIES. I MENTIONED THE STABILIZATION PROGRAM AND THE MEDIUM-TERM PLAN, WHICH FOREIGN LENDERS HAVE BEEN LOOKING FORWARD TO. THE PRESIDENT INDICATED HE UNDERSTANDS THE IMPORTANCE OF CARRYING OUT BOTH THE STABILIZATION PROGRAM AND THE MEDIUM-TERM PLAN. HE SAID THAT THE NEW GOVERNMENT ALSO WOULD GIVE HIGH PRIORITY TO ATTACKING THE COUNTRY'S WOEFUL AGRICULTURAL SITUATION. WHEN I ASKED WHETHER THIS WOULD NOT PROVOKE COMMUNIST HOSTILITY AND POSSIBLE LABOR STRIFE, HE SAID THAT HE EXPECTS THE COMMUNISTS IN ANY CASE TO MAKE TROUBLE OVER THE NEXT COUPLE OF MONTHS IN CONNECTION WITH FORTHCOMING NEGOTIATIONS TO RENEW A NUMBER OF MAJOR COLLECTIVE LABOR CONTRACTS. THE GOVERNMENT'S TACTIC, HOWEVER, WILL BE TO HOLD OFF DOING ANYTHING IN THE ALENTEJO, UNTIL AFTER THE PERIOD OF LABOR NEGOTIATIONS HAS ENDED. IN THE MEANTIME, THE GOVERNMENT WOULD ATTEMPT TO PUT FORWARD SOME GENERAL

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AGRICULTURAL POLICIES AIMED AT INCREASING PRODUCTIVITY, BUT NOT NECESSARILY DIRECTED SPECIFICALLY AT THE PROBLEM OF AGRARIAN REFORM IN THE ALENTEJO. EVENTUALLY, HE FORESEES THE NEED TO CREATE SOME KIND OF REGIONAL AGRICULTURAL ENTITY FOR THE ALENTEJO AND TO DEFINE CLEARLY THE RULES OF THE GAME FOR THAT AREA. THE COLLECTIVE FARMS THAT WERE PERMITTED BY THE AGRARIAN REFORM LAW WOULD BE ALLOWED TO EXIST; BUT THE PROVISIONS OF THE LAW ALLOWING NON-COLLECTIVE FARM STRUCTURES OR RESTITUTION OF LANDS ALSO SHOULD BE APPLIED.

6. WE THEN DISCUSSED WHAT THE COMMUNIST REACTION TO ALL THIS MIGHT BE. HE SAID THAT THEY WOULD OBVIOUSLY HAVE TO REACT BUT THAT THEY WILL BE INHIBITED BY FEAR THAT IF THEY GO TOO FAR THEY MAY PROVOKE A REACTION ON THE RIGHT WHICH WOULD END UP WITH THE PARTY BEING SUPPRESSED. HE SAID THAT

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TO SECSTATE WASHDC IMMEDIATE 6674
INFO AMEMBASSY BONN
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MILITARY ADDRESSEES HANDLE AS SPECAT EXCLUSIVE

HE FEARS SOME OF THE LEFT WING ELEMENTS OF THE
SOCIALIST PARTY AS MUCH AS THE COMMUNISTS.

7. ALL IN ALL, THE PRESIDENT SEEMED RELAXED AND
SELF-ASSURED. HE DID NOT SEEM TO BE UNDULY WORRIED
ABOUT THE FACT THAT HE HAS AT LEAST TEMPORARILY
ALIENATED SOARES. MY GUESS IS THAT HAVING KEPT THE
INITIATIVE DURING THE RECENT CRISIS AND MADE THE
POLITICIANS PLAY BY HIS RULES HAS GIVEN HIM A CERTAIN
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BOOST IN CONFIDENCE. HE EMPHASIZED, HOWEVER, THAT HE
REALIZES THAT THE PRIME MINISTER-DESIGNATE WILL
HAVE NO PICNIC IN PUTTING TOGETHER A GOVERNMENT AND
THEN IN GOVERNING. HE INDICATED INCIDENTALLY

THAT HE DOES NOT EXPECT THAT THE NEW GOVERNMENT WILL
BE ABLE TO TAKE OFFICE BEFORE SEPTEMBER.
BLOOMFIELD

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